

VZCZCXRO6035
OO RUEHROV
DE RUEHJM #1584 2111442
ZNR UUUUU ZZH
O 301442Z JUL 07
FM AMCONSUL JERUSALEM
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8533
INFO RUEHKK/ARAB ISRAELI COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEHBS/USEU BRUSSELS PRIORITY

UNCLAS JERUSALEM 001584

SIPDIS

SENSITIVE
SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR SHAMPAIN/BELGRADE; NSC
FOR ABRAMS/WATERS; TREASURY FOR
SZUBIN/LOEFFLER/NUGENT/HIRSON

E.O. 12958: N/A

TAGS: [EFIN](#) [KWBG](#) [IS](#)

SUBJECT: PA BUDGET: 100 MILLION IN THE RED, BUT ISRAELI
ARREARS WILL MASK THE PROBLEM FOR A WHILE

1. (SBU) Palestinian Authority (PA) Ministry of Finance officials and local IMF representatives say that the PA is running a monthly operating deficit of approximately USD 100 million. The gap is exacerbated by the loss of Gaza revenues (both domestic taxation and VAT/customs for goods not moving into Gaza due to the closure of the crossings). Israeli agreement to transfer PA funds previously withheld (approximately USD 350 million) over the next four months will allow the PA to cover most of this deficit and pay full salaries for the time being. Even with transfer of the withheld funds, the PA will be unable to make any significant dent in its own arrears, currently estimated at just over one billion USD. Once the withheld funds are fully paid out by the GOI, the PA will need a significant inflow of cash, as early as October.

2. (SBU) PA Ministry of Finance unofficially reported the following figures:

-- Total monthly operating expenses: USD 170 million (of which USD 128 million goes to salaries)

-- Domestic revenues: Approximately USD 20 million/month (May 2007: USD 18 million; June 2007: USD 20 million)

-- Regular monthly clearance transfer from the GOI, after deductions: USD 50 - 60 million

WALLES